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SUBJECT: NETHERLANDS/WTO: WE MUST SALVAGE WHAT WE CAN

Ref A) The Hague 1560, B) The Hague 1433

11. (SBU) Summary. Dutch Trade Minister van Gennip publicly blames the U.S. for the suspension of the Doha negotiations, but contacts at the ministries of Economic and Foreign Affairs stressed the need to avoid the blame game and restart talks. The Dutch see an agreement as critical to their international trade interests and seek specific information on USG expectations of the EU and the cuts in USG agricultural subsidies. End Summary.

Dutch Still Committed to Doha

12. (U) In a July 26 public reaction to the suspension of trade talks, Foreign Trade Minister Karien van Gennip stressed her continued commitment to achieving a successful agreement. Highlighting the interests of Dutch exporters, consumers, and businesses, van Gennip called for a restart of the Doha process and announced her willingness to "fight" to keep the Doha Development Round alive. With the Netherlands "at the heart of world trade," failure to reach agreement could cost the country one percent of GDP -- about 500 billion euros (\$640 billion). Given the export-oriented nature of its economy and the agriculture sector specifically, she said the Dutch clearly would benefit from more open borders. The French were also very aware of the cost of failure, she added.

13. (U) While concerned that "poor countries have a far weaker position in bilateral talks," van Gennip did not rule out the possibility of new bilateral or regional agreements in accordance with WTO rules. She said the EU would not demand more from its trading partners under such agreements than it would have secured through a multilateral accord within the WTO.

Publicly -- U.S. to Blame for Failure

14. (U) Van Gennip went on to blame the failed talks on U.S. "unwillingness to look for agreement," a view voiced earlier in her July 7 letter to parliament (ref A). Recalling a May 2006 visit to the U.S., she said her American counterparts believed "they had done their part," and this attitude remained unchanged even after July G8 meetings in Russia. While WTO negotiators had engaged in 'what if' talks in Geneva, the U.S. had refused to participate, she said.

President Bush "says one thing," she added, but "something else emerges at the negotiating table."

¶15. (U) Van Gennip argued the U.S. does not believe the WTO produces sufficient results and instead favors bilateral agreements, in which it can wield greater power. The U.S. Congress opposes changes to the current U.S. agricultural policy, she added, including the Farm Bill with subsidies worth billions to U.S. farmers.

Privately -- Time to Move On and Avoid Finger Pointing

¶16. (U) AgCounselor and Econoffs met July 31 to discuss van Gennip's statement and the recent suspension of Doha talks with Ministry of Economic Affairs (MEA) officials Tjerk Opmeer, Senior Trade Policy Advisor and main Dutch representative to the EU 133 Trade Committee, and Maaïke Hoffman, Senior Policy Advisor, as well as Ministry of Foreign Affairs officials Pauline Diepenbroek, Senior Policy Officer, and Niels van der Bijl, Policy Officer.

¶17. (SBU) Econoff stressed USG continued commitment to Doha and USTR Schwab's ongoing outreach to identify prospects for renewed talks. Opmeer said the Dutch also sought ways to restart negotiations. He argued there was still "enough there for something ambitious," and "too much work" had been done to fail now. Despite van Gennip's statements to the contrary, Opmeer stressed that both sides should "avoid the blame game."

¶18. (SBU) Opmeer said that EC Trade Commissioner Peter Mandelson would be conducting his own outreach. In early

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September, EU members would discuss possibilities for a Doha revival within the 133 Committee. Opmeer said he would be drafting another letter from van Gennip to the Dutch parliament expressing GONL disappointment with the Doha talks and its desire to restart negotiations "as soon as possible." In an earlier meeting, senior MEA officials had indicated that the Dutch would pursue bilateral agreements if the current talks failed (ref B).

¶19. (SBU) The Dutch saw moving forward on "elements where we can agree" as another avenue to restart negotiations, Opmeer added. He said the Dutch do not believe that such an approach would undermine attainment of a complete Doha package, as WTO Director Pascal Lamy has asserted.

Dutch Seek Specifics on U.S. Expectations

¶10. (SBU) On agriculture market access, Opmeer said the EU saw adjustments in its proposals from 39 percent to 48 percent and then to 51 percent as significant compromises. Given internal EU politics, he said "getting to 66 percent would not be possible" and asked specifically for USG expectations. Opmeer added that the EU proposal included real cuts, as EU tariffs don't have any "water" in them (i.e., applied tariffs close or at the level of bound tariffs).

¶11. (SBU) On agriculture subsidies, Opmeer questioned whether USG domestic support cuts would involve real program cuts, a question also raised in earlier meetings (ref A). The EU provided \$22.7 billion in general agricultural support in 2005, he said. This figure would drop to 9 percent of current levels by 2013, he explained, almost eliminating amber box support and leaving only green box subsidies. AgCounselor and Econoff countered that under the U.S. proposal, U.S. support payments would drop considerably and would involve real cuts to programs.

¶12. (SBU) AgCounselor stressed that more support from the EU would also help encourage other countries to improve their market access proposals and to promote a meaningful Doha outcome. Within the EU, it is the Dutch and Nordic countries that continue to press for an EU proposal that offers "real access," Opmeer noted.

Comment: Helping the Dutch Help the US

¶13. (SBU) The Netherlands is the world's third largest exporter of agricultural goods -- \$64 billion in 2004. The Dutch therefore have a genuine interest in restarting the Doha round negotiations, reaching an agreement on agricultural goods (market access and domestic support) and further opening international trade markets.

¶14. (SBU) These Dutch officials agreed that further information exchanges would benefit both sides. Sharing additional details with the Dutch on expected cuts in the USG agricultural subsidy proposal, products of interest, and USG expectations for the EU proposal would help the Dutch work from within the EU to restart talks and seek an EU offer with "real access."